

Commonwealth of Massachusetts  
Department of Telecommunications and Energy  
Fitchburg Gas and Electric Light Company  
Docket Nos. D.T.E. 02-24 and D.T.E. 02-25  
Responses to the Department's Second Set of Information Requests

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**Request No. DTE-2-3**

Refer to Schedule MHC-1 (Electric) at 2. Please explain how the data in the columns "Distribution" and "Internal Transmission" were determined. To the extent that the balances attributed to "Distribution" and "Internal Transmission" have been based on allocations, provide the allocators used and the method of their calculation.

**Response:**

The data that appears on Schedule MHC-1 (Electric) on page 2 represents per-books figures. Hence, these amounts are not allocated amounts. However, as discussed below, the underlying costs are based on allocations used in cost studies.

The internal transmission revenues are based on the Electric Division's distinct charges to retail customer for internal transmission. These charges (and the costs recovered thereunder) are based on FERC jurisdictional cost studies. These studies form the basis for charges under FG&E's Open Access Transmission Tariff and FG&E's Pool Transmission Facilities revenue requirement as included in NEPOOL's Open Access Transmission Tariff, both under the jurisdiction of FERC. Consistent with general industry practice, these revenue requirements are calculated based on a review of actual cost data using a formulaic approach to identify return on rate base and operating expenses. The underlying costs are based on direct assignments to transmission (i.e. transmission plant, transmission depreciation expense) and on allocations when necessary (i.e. general plant and general plant depreciation expense).

In order to appropriately account for transmission related income, FG&E makes an entry to expense so that the net of revenue and expense equals the amount allowed for transmission. This expense entry is necessary since the Electric Division's accounting records are not fully unbundled (i.e. general plant and general plant depreciation expense is allocated to functions for cost of service but is not unbundled in accounting records). For 2001, this amount is \$515,235 as shown on Schedule MHC-1 (Electric) page 2. The Base Distribution amount on this schedule is then the remainder (Total Per Books, less Internal Transmission, less Water Heater Rental.)

**Person Responsible:** Mark H. Collin